

GLASGOW INDEPENDENT SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS
For the Year Ended June 30, 2009**

GLASGOW INDEPENDENT SCHOOL DISTRICT

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GLASGOW INDEPENDENT SCHOOL DISTRICT

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Independent Auditor's Report

Members of the Board of Education
Glasgow Independent School District
Glasgow, Kentucky 42141

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Glasgow Independent School District as of and for the year ended June 30, 2009, which collectively comprise the Glasgow Independent School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Glasgow Independent School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*; issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for the School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2009, and the respective changes in the financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2009 on our consideration of the Glasgow Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's discussion and analysis and budgetary comparison information on pages 3 through 7 and page 14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Glasgow Independent School District basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of Glasgow Independent School District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,

Campbell, Myers & Rathledge, PLLC

Certified Public Accountants

November 09, 2009

**GLASGOW INDEPENDENT SCHOOLS, GLASGOW, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

The management of Glasgow Independent Schools presents the financial overview and analysis of financial activities of this district for the fiscal year 2008-2009.

FINANCIAL HIGHLIGHTS

The beginning cash balance was \$3,732,318, which consisted of \$2,753,789 in General Fund, \$802,607 in Building Fund, and \$175,922 in Food Service.

The General Fund received \$12,340,083 in revenue. Of that \$4,489,631 was from local sources such as taxes and interest. \$7,755,890 was from state SEEK funds and \$94,562 was from other funding. This does not include on-behalf payments of \$2,533,323 made by the state.

Property taxes increased by approximately \$150,598 from FY08. Motor vehicle taxes decreased by \$9590. There was a decrease in interest of \$111,495 due to declining interest rates. There was a decrease in revenue in lieu of taxes of \$21,365. Other general fund revenue was comparable to prior years.

Food Service revenue increased slightly from last year from \$1,340,426 to \$1,409,619.

Our largest expense of salaries and employee benefits is 82.3% of all expenditures in General Fund and 77.9% of all expenditures in Fund 2. A goal last fiscal year was to reduce the percentage of General Fund salary and benefit expenses to 80%. In fiscal year 2007-08 that percentage was 89%.

Kentucky Department of Education mandated a minimum salary increase in FY08-09 of 1%. The Glasgow Board of Education voted to give a 1% salary increase.

\$181,932 was received in the Capital Outlay Fund. This was an increase of \$402 from the prior year. This entire amount is spent as a portion of bond principal and interest payments.

Building Fund expenses were for bond and interest payments only. The ending balance was \$1,291,214.

Food Service expenses were \$1,395,420. Of this amount 47.7% was spent for salaries and 46% for food and supplies. The remaining 6.3% was used for equipment and repair.

There were no construction expenses in 2008-2009.

The financial situation of the Glasgow Board of Education continues to improve. Revenue increases were in SEEK and property taxes.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

**GLASGOW INDEPENDENT SCHOOLS, GLASGOW, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
YEAR ENDED JUNE 30, 2009**

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8 - 9 of this report.

Fund financial statements. A fund is grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is the food service operations. All other activities of the district are included in the governmental funds.

The governmental fund financial statements can be found on pages 10 - 18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 - 36 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$ 11,910,334 as of June 30, 2009.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital asset is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**GLASGOW INDEPENDENT SCHOOLS, GLASGOW, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
YEAR ENDED JUNE 30, 2009**

Net Assets for the period ending June 30, 2009

This is the third year that the District is following GASB 34 and Company assets, liabilities and net assets. 2009 Government Wide Net Assets compared to 2008 are as follows:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Current Assets	\$ 5,401,633	\$ 4,245,880
Noncurrent Assets	<u>16,112,167</u>	<u>16,529,525</u>
Total Assets	<u>\$ 21,513,800</u>	<u>\$ 20,775,405</u>
Current Liabilities	\$ 1,436,547	\$ 1,506,387
Noncurrent Liabilities	<u>8,166,919</u>	<u>9,071,901</u>
Total Liabilities	<u>\$ 9,603,466</u>	<u>\$ 10,578,288</u>
Net Assets		
Investment in capital assets (net of debt)	\$ 7,075,411	\$ 6,828,157
Restricted	4,057,927	815,500
Unreserved Fund Balance	<u>776,996</u>	<u>2,553,460</u>
Total Net Assets	<u>\$ 11,910,334</u>	<u>\$ 10,197,117</u>

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2009:

Revenues:	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Local revenue sources	\$ 4,996,816	\$ 4,948,371
State revenue sources	10,370,064	9,814,922
Federal revenue sources	3,402,151	3,554,080
Investments	46,297	158,261
Other sources	160,304	262,093
Bond proceeds	<u>-0-</u>	<u>-0-</u>
	<u>\$ 18,975,632</u>	<u>\$ 18,737,727</u>

**GLASGOW INDEPENDENT SCHOOLS, GLASGOW, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
YEAR ENDED JUNE 30, 2009**

Expenses:	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Instruction	\$ 11,326,415	\$ 11,266,430
Student support services	723,137	663,604
Instructional support	507,218	738,805
District administration	678,330	595,300
School administration	854,994	844,753
Business support	153,249	149,553
Plant operations	1,259,803	1,128,439
Student transportation	378,265	386,904
Central office support	-	-
Facilities acquisition and construction	-	-
Community support	155,657	143,640
Other	<u>1,225,347</u>	<u>1,156,280</u>
Total expenses	<u>\$ 17,262,415</u>	<u>\$ 17,073,708</u>
Change in net assets	<u>\$ 1,713,217</u>	<u>\$ 1,664,019</u>

BUGET COMPARISONS

The total budgeted revenues and beginning balances for fiscal year 2008-09 were \$23,620,934.

General fund budgeted revenue compared to actual revenue varied slightly from line to line with the total ending balance being \$776,996 more than budgeted. SEEK funding comprises 62.8% of General Fund revenue as compared to 61% in 07-08. In 2008-09 donations were made to the Glasgow Independent School System totaling \$45,736 compared to \$69,300 in the prior year. This is less than the prior year, but more than the budget amount of \$1,000. General Fund received \$7,593 in indirect costs from Food Service in FY09 that was not considered in the Working Budget. Telecommunications revenue in lieu of taxes decreased from \$55,744 in FY08 to \$54,873 in FY09. The budget for this item was \$40,000. Sale of surplus equipment generated \$6,118.

\$949,866 was budgeted for contingency. School boards are required to budget a minimum of 2% in a contingency account.

General Fund Revenue derived from state taxes totaled 61% of total revenue; with local funding making up 36%. Instructional expenses account for 74% of expenditures; Central Office and administration make up 12%; Maintenance is 10%; and transportation is 4%. FY08 figures are: General Fund state Revenue was 68% of total revenue, local 33%. Instructional expenses were 77% of total expenditures with Central Office and administration 12%, maintenance 10%, and transportation remained the same at 4%.

**GLASGOW INDEPENDENT SCHOOLS, GLASGOW, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONCLUDED
YEAR ENDED JUNE 30, 2009**

LONG-TERM DEBT

Long-term debt payments and interest in the amount of \$692,239 were paid during the year for Glasgow Middle School and Highland Elementary bond issues. Glasgow Middle School payments will be completed in May of 2012. Highland Elementary will be completed in June of 2024. Bond and interest payments are made from Capital Outlay and Building Funds.

Energy conservation bond payments were made in FY08 totaling \$27,090. This bond issue will be paid in full in April, 2014. Payments and interest for school buses through the KISTA program totaled \$70,311. Energy bond payments and KISTA bus payments are made from General Fund.

NET ASSETS

Current governmental assets in FY09 totaled \$16,112,167 and in FY08 \$16,529,525. Current business assets, which are Food Service assets, totaled \$209,334. All Food Service assets are equipment.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky, the public schools' fiscal year is July 1 to June 30; other programs including some federal programs operate on a different fiscal calendar year, but are reflected in the District overall budget. Legally, the budget must have a minimum 2% contingency. Glasgow Independent Board of Education adopted a Working Budget for 2009-10 totaling \$21,555,103 and included a 4.32% contingency. Significant Board action that impacts the finances includes a mandated pay increase for all employees of 1%. Classified matching retirement has risen in the past years but in 09 decreased from 16.17% to 13.5% but increased to 16.16 in FY10. Additional spending for fuel costs for buses and building repair were included in this budget.

The American Recovery & Reinvestment Act has provided a large source of funds to Glasgow Schools in FY09 and FY10. These awards were made in April, 2009 and are to be spent by 9-30-2011. Title I funds total \$548,078; IDEA B Preschool funds are \$29,726; and IDEA B funds are \$441,977. The majority of these funds will hire additional personnel at all grade levels.

The Success Academy High School was formed in FY2008 to assist potential drop out students. All costs of The Success Academy with the exception of utilities and building expenses are paid by donations from an anonymous donor. In 2008 there were 5 graduates and 12 in 2009. A grant to offset expenses in the amount of \$12,500 was received in FY09 and will be renewed in FY10.

Glasgow Independent Schools and Caverna Independent Schools continue to have a joint Alternative School. Expenses are shared by both school districts based on students attending.

Plans are to build a new high school or to renovate the current facility as soon as possible. Superintendent Goff has met with Hilliard Lyons, a facility committee, the local planning committee and the board to discuss Glasgow High School. A public forum was also held to hear comments. Plans are to begin renovation or new construction in the very near future. The architectural firm of Sherman, Carter, Barnhart was hired to explore our options.

A continuous goal to reduce salaries and benefits to 80% of the General Fund budget and reduce other areas of the budget will provide additional funds that will be transferred to the building fund for this purpose.

Questions regarding this report may be directed to Ms. Kathy Goff, Superintendent, at (270)651-6757, or by mail at P.O. Box 1239, Glasgow, KY 42142-1239.

GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business Type Activities	Total
Assets:			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 4,856,296	\$ 192,095	\$ 5,048,391
Inventory	-	20,824	20,824
Accounts receivable			
Taxes - current	34,190	-	34,190
Taxes - delinquent	-	-	-
Accounts receivable	6,802	-	6,802
Intergovernmental - state	-	-	-
Intergovernmental - indirect federal	414,000	-	414,000
Prepaid expenses & other assets	90,345	-	90,345
Investments	-	-	-
Total current assets	<u>5,401,633</u>	<u>212,919</u>	<u>5,614,552</u>
<u>Noncurrent Assets:</u>			
Capital assets	24,843,423	578,588	25,422,011
Less: accumulated depreciation	<u>(8,731,256)</u>	<u>(369,255)</u>	<u>(9,100,511)</u>
Total noncurrent assets	<u>16,112,167</u>	<u>209,333</u>	<u>16,321,500</u>
Total assets	<u>21,513,800</u>	<u>422,252</u>	<u>21,936,052</u>
Liabilities:			
<u>Current Liabilities:</u>			
Accounts payable	82,939	1,974	84,913
Checks issued in excess of cash	219,611	-	219,611
Accrued payroll and related expenses	-	-	-
Deferred revenue	173,815	-	173,815
Current portion of bond obligations	890,000	-	890,000
Current portion of capital lease obligations	53,942	-	53,942
Current portions of accrued sick leave	-	-	-
Interest payable	16,240	-	16,240
Total current liabilities	<u>1,436,547</u>	<u>1,974</u>	<u>1,438,521</u>
<u>Noncurrent Liabilities:</u>			
Noncurrent portion of bond obligations	7,485,000	-	7,485,000
Noncurrent portion of capital lease obligations	358,826	-	358,826
Noncurrent portion of accrued sick leave	323,093	-	323,093
Total noncurrent liabilities	<u>8,166,919</u>	<u>-</u>	<u>8,166,919</u>
Total liabilities	<u>9,603,466</u>	<u>1,974</u>	<u>9,605,440</u>
Net Assets:			
Invested in capital assets, net of related debt	7,075,411	209,333	7,284,744
Restricted for:			
Special revenue	-	-	-
Capital projects	4,045,004	-	4,045,004
Debt service	12,923	-	12,923
Other purposes (nonexpendable)	-	-	-
Unrestricted	<u>776,996</u>	<u>210,945</u>	<u>987,941</u>
Total net assets	<u>\$ 11,910,334</u>	<u>\$ 420,278</u>	<u>\$ 12,330,612</u>

See independent auditor's report and
accompanying notes to basic financial statements.

GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business - Type Activities
Governmental Activities:					
Instruction	\$ 11,326,415	\$ -	\$ 3,402,151	\$ -	\$ (7,924,264)
Support Services					
Student	723,137	-	-	-	(723,137)
Instruction staff	507,218	-	-	-	(507,218)
District administrative	678,330	-	-	-	(678,330)
School administrative	854,994	-	-	-	(854,994)
Business	153,249	-	-	-	(153,249)
Plant operations and maintenance	1,259,803	-	-	-	(1,259,803)
Student Transportation	378,265	-	-	-	(378,265)
Central office	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-
Community service activities	155,657	-	-	-	(155,657)
Other	70,355	-	-	-	(70,355)
Interest on long-term debt	384,718	-	-	-	(384,718)
Depreciation (unallocated)	770,274	-	-	-	(770,274)
Total governmental activities	17,262,415	-	3,402,151	-	(13,860,264)
Business-Type Activities					
Food Service	1,393,777	469,938	708,732	229,685	14,578
Total business-type activities	1,393,777	469,938	708,732	229,685	14,578
Total primary government	\$ 18,656,192	\$ 469,938	\$ 4,110,883	\$ 229,685	(13,845,686)
General Revenues:					
Taxes:					
Property taxes					4,436,884
Motor vehicle taxes					322,411
Other					237,521
Investments earnings					1,263
State and formula grants					-
Miscellaneous					-
Total general revenues					15,573,481
Change in net assets					15,841
Net assets - beginning					10,197,117
Net assets - ending					\$ 11,910,334
					\$ 12,330,612

See independent auditor's report and accompanying notes to basic financial statements.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2009**

	General Fund	Special Revenue	Building Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets and resources:					
Cash and cash equivalents	\$ 3,552,158	\$ -0-	\$ 1,291,215	\$ 12,923	\$ 4,856,296
Inventories	-	-	-	-	-
Accounts receivable:					
Taxes-current	34,190	-	-	-	34,190
Taxes-delinquent	-	-	-	-	-
Accounts receivable	6,802	-	-	-	6,802
Intergovernmental-state	-	-	-	-	-
Intergovernmental - indirect federal	-	414,000	-	-	414,000
Due from other funds	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Interest receivable	-	-	-	-	-
Investments	-	-	-	-	-
Total assets and resources	<u>\$ 3,593,150</u>	<u>\$ 414,000</u>	<u>\$ 1,291,215</u>	<u>\$ 12,923</u>	<u>\$ 5,311,288</u>
Liabilities and fund balance:					
Liabilities:					
Accounts payable	\$ 62,365	\$ 20,574	\$ -0-	\$ -0-	\$ 82,939
Checks issued in excess of cash	-	219,611	-	-	219,611
Accrued payroll and related expenses	-	-	-	-	-
Current portion of accumulated sick leave	-	-	-	-	-
Deferred revenues	-	173,815	-	-	173,815
Total liabilities	<u>62,365</u>	<u>414,000</u>	<u>-</u>	<u>-</u>	<u>476,365</u>
Fund balances:					
Reserved for:					
Inventory and fixed assets	-	-	-	-	-
Encumbrances	-	-	-	-	-
Accrued sick leave	-	-	-	-	-
Unreserved:					
Undesignated, reported in:					
General fund	776,996	-	-	-	776,996
Special revenue funds	-	-	-	-	-
Capital projects funds	2,753,789	-	1,291,215	-	4,045,004
Debt service funds	-	-	-	12,923	12,923
Total fund balances	<u>3,530,785</u>	<u>-</u>	<u>1,291,215</u>	<u>12,923</u>	<u>4,834,923</u>
Total liabilities and fund balances	<u>\$ 3,593,150</u>	<u>\$ 414,000</u>	<u>\$ 1,291,215</u>	<u>\$ 12,923</u>	<u>\$ 5,311,288</u>

See independent auditor's report and
Accompanying notes to basic financial statements.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2009**

Total fund balance per fund financial statements	\$ 4,834,923
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	16,112,167
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Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.	<u>(9,036,756)</u>
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Net assets for governmental activities	<u>\$ 11,910,334</u>
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GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General Fund	Special Revenue	Building Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes:					
Property	\$ 3,736,884	\$ -0-	\$ 700,000	\$ -0-	\$ 4,436,884
Motor vehicle	322,411	-	-	-	322,411
Utilities	-	-	-	-	-
Other	237,521	-	-	-	237,521
Tuition and fees	-	-	-	-	-
Earnings on investments	46,222	-	-	75	46,297
Other local revenues	146,593	-	-	-	146,593
Intergovernmental - intermediate	-	-	-	-	-
Intergovernmental-state	10,370,064	765,519	298,916	707,910	12,142,409
Intergovernmental-indirect federal	-	1,629,806	-	-	1,629,806
Intergovernmental-direct federal	-	-	-	-	-
Total revenues	<u>14,859,695</u>	<u>2,395,325</u>	<u>998,916</u>	<u>707,985</u>	<u>18,961,921</u>
Expenditures:					
Instruction	9,300,173	2,079,991	-	-	11,380,164
Support services:					
Student	664,576	58,561	-	-	723,137
Instructional staff	435,639	71,579	-	-	507,218
District administration	678,330	-	-	-	678,330
School administration	854,994	-	-	-	854,994
Business	95,799	57,450	-	-	153,249
Plant operations and maintenance	1,352,864	957	-	-	1,353,821
Student transportation	587,803	552	-	-	588,355
Central office	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-
Community service activities	-	155,657	-	-	155,657
Other	70,310	-	-	1,244,763	1,315,073
Total expenditures	<u>14,040,488</u>	<u>2,424,747</u>	<u>-</u>	<u>1,244,763</u>	<u>17,709,998</u>
Excess (deficit) of revenues over expenditures	<u>819,207</u>	<u>(29,422)</u>	<u>998,916</u>	<u>(536,778)</u>	<u>1,251,923</u>
Other financing sources (uses):					
Proceeds from sale of bonds	-	-	-	-	-
Proceeds from sale of fixed assets	6,118	-	-	-	6,118
Operating transfers in	7,593	29,422	-	718,739	755,754
Operating transfers out	(55,922)	-	(510,307)	(181,932)	(748,161)
Total other financing sources (uses)	<u>(42,211)</u>	<u>29,422</u>	<u>(510,307)</u>	<u>536,807</u>	<u>13,711</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>776,996</u>	<u>-</u>	<u>488,609</u>	<u>29</u>	<u>1,265,634</u>
Fund balance, July 1, 2008	<u>2,753,789</u>	<u>-</u>	<u>802,606</u>	<u>12,894</u>	<u>3,569,289</u>
Fund balance, June 30, 2009	<u>\$ 3,530,785</u>	<u>\$ -0-</u>	<u>\$ 1,291,215</u>	<u>\$ 12,923</u>	<u>\$ 4,834,923</u>

See independent auditor's report and
accompanying notes to basic financial statements.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009**

Net changes in total fund balances per fund financial statements	\$ 1,265,634
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Amounts reported for governmental activities in the
statement of activities are different because:

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	(417,358)
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Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets.	913,600
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Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<div style="border-top: 1px solid black; display: inline-block;">(48,659)</div>
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Change in net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ 1,713,217</div>
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GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
From local sources:				
Taxes:				
Property	\$ 3,815,000	\$ 3,815,000	\$ 3,736,884	\$ (78,116)
Motor vehicles	300,000	300,000	322,411	22,411
Utilities	-	-	-	-
Other	240,000	240,000	237,521	(2,479)
Tuition and fees	-	-	-	-
Earnings on investments	120,000	120,000	46,222	(73,778)
Other local revenues	69,500	69,500	146,593	77,093
Intergovernmental - intermediate	-	-	-	-
Intergovernmental-state	7,540,000	7,540,000	10,370,064	2,830,064
Intergovernmental-indirect federal	-	-	-	-
Intergovernmental-direct federal	-	-	-	-
Total revenues	<u>12,084,500</u>	<u>12,084,500</u>	<u>14,859,695</u>	<u>2,775,195</u>
Expenditures:				
Instruction	7,903,081	7,903,081	9,300,173	(1,397,092)
Support services:				
Student	559,317	559,317	664,576	(105,259)
Instructional staff	467,824	467,824	435,639	32,185
District administration	2,031,565	2,031,565	678,330	1,353,235
School administration	735,334	735,334	854,994	(119,660)
Business	107,271	107,271	95,799	11,472
Plant operations and maintenance	1,643,818	1,643,818	1,352,864	290,954
Student transportation	575,274	575,274	587,803	(12,529)
Central office	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Community service activities	-	-	-	-
Other	70,310	70,310	70,310	-
Total expenditures	<u>14,093,794</u>	<u>14,093,794</u>	<u>14,040,488</u>	<u>53,306</u>
Excess (deficit) of revenues over expenditures	<u>(2,009,294)</u>	<u>(2,009,294)</u>	<u>819,207</u>	<u>2,828,501</u>
Other financing sources (uses):				
Proceeds from sale of bonds	-	-	-	-
Proceeds from sale of fixed assets	1,000	1,000	6,118	5,118
Operating transfers in	8,294	8,294	7,593	(701)
Operating transfers out	-	-	(55,922)	(55,922)
Total other financing sources (uses)	<u>9,294</u>	<u>9,294</u>	<u>(42,211)</u>	<u>(51,505)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>776,996</u>	<u>2,776,996</u>
Fund balance, July 1, 2008	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,753,789</u>	<u>753,789</u>
Fund balance, June 30, 2009	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,530,785</u>	<u>\$ 3,530,785</u>

See independent auditor's report and
 accompanying notes to basic financial statements.

GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	Food Service Fund	Total
Assets		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 192,095	\$ 192,095
Inventory	20,824	20,824
Accounts receivable		
Taxes - current	-	-
Taxes - delinquent	-	-
Accounts receivable	-	-
Intergovernmental - state	-	-
Intergovernmental - indirect federal	-	-
Intergovernmental - direct federal	-	-
Interest receivable	-	-
Investments	-	-
Total current assets	<u>212,919</u>	<u>212,919</u>
Noncurrent		
Capital assets	578,588	578,588
Less: accumulated depreciation	(369,255)	(369,255)
Investments	-	-
Total noncurrent assets	<u>209,333</u>	<u>209,333</u>
Total assets	<u>422,252</u>	<u>422,252</u>
Liabilities		
<u>Current Liabilities</u>		
Accounts payable	1,974	1,974
Accrued payroll and related expenses	-	-
Due to other funds	-	-
Deferred revenue	-	-
Current portion of long-term obligation	-	-
Accrued sick leave	-	-
Total current liabilities	<u>1,974</u>	<u>1,974</u>
Net Assets		
Invested in capital assets net of related debt	209,333	209,333
Unrestricted	210,945	210,945
Total net assets	<u>\$ 420,278</u>	<u>\$ 420,278</u>
<u>Reconciliation to Statement of Net Assets:</u>		
Total Net Assets	\$ 420,278	\$ 420,278
Add due to other funds	-	-
Net Assets for Business Activities	<u>\$ 420,278</u>	<u>\$ 420,278</u>

See independent auditor's report and
accompanying notes to basic financial statements.

GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

	Food Service Fund	Totals
Operating Revenues:		
Lunchroom sales	\$ 469,132	\$ 469,132
Other operating revenues	806	806
Total operating revenues	<u>469,938</u>	<u>469,938</u>
Operating Expenses:		
Salaries and wages	665,066	665,066
Material and supplies	695,604	695,604
Depreciation	25,514	25,514
Other operating expenses	-	-
Total operating expenses	<u>1,386,184</u>	<u>1,386,184</u>
Operating loss	<u>(916,246)</u>	<u>(916,246)</u>
Non-Operating Revenues (Expenses)		
Federal grants	696,776	696,776
Donated commodities	54,269	54,269
On behalf payments	175,416	175,416
State funding	11,956	11,956
Interest income	1,263	1,263
Operating transfers	<u>(7,593)</u>	<u>(7,593)</u>
Total non-operating revenues	<u>932,087</u>	<u>932,087</u>
Net income (loss)	15,841	15,841
Net assets, July 1, 2008	<u>404,437</u>	<u>404,437</u>
Net assets, June 30, 2009	<u>\$ 420,278</u>	<u>\$ 420,278</u>
<u>Reconciliation to Statement of Activities:</u>		
Net income(loss)	\$ 15,841	\$ 15,841
Less due to other funds	<u>-</u>	<u>-</u>
Change in Net Assets	<u>\$ 15,841</u>	<u>\$ 15,841</u>

GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

Cash Flows From Operating Activities:

Cash received from:

Lunchroom sales	\$ 469,132
Government grants	708,732
Other activities	463

Cash paid to/for:

Employees	(489,650)
Supplies	(655,632)
Other activities	<u>(7,593)</u>

Net cash provided (used) by operating activities	<u>25,452</u>
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Cash Flows from Capital and Related Financing Activities:

Purchase of capital assets	<u>(31,625)</u>
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Cash Flows from Investing Activities:

Receipt of interest income	<u>1,263</u>
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Net increase in cash and cash equivalents	(4,910)
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Balances, beginning of year	<u>197,005</u>
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Balances, end of year	<u><u>\$ 192,095</u></u>
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Reconciliation of operating income (loss) to net cash provided (used) by operating activities

Net income (loss)	\$ 15,841
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Adjustments to reconcile operating income to net cash provided (used) by operating activities

Depreciation	25,514
Interest	(1,263)

Change in assets and liabilities

Inventory	4,469
Accounts payable	<u>(19,109)</u>

Net cash provided (used) by operating activities	<u><u>\$ 25,452</u></u>
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Schedule of non-cash transactions:

On Behalf payments	<u>\$ 175,416</u>
Donated commodities received from federal government	<u><u>\$ 54,269</u></u>

GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FUDICIARY FUNDS
June 30, 2009

	Fiscal Agent Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ -0-	\$ 361,880
Accounts receivable	-	2,069
Investment income receivable	-	-
Investments	-	-
	<u> </u>	<u> </u>
Total assets	<u>\$ -0-</u>	<u>\$ 363,949</u>
Liabilities		
Accounts payable	\$ -0-	\$ 243
Due to student groups	-	363,706
	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>363,949</u>
Net Assets Held in Trust	<u>\$ -0-</u>	<u>\$ -0-</u>

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

1. Summary of Significant Accounting Policies:

Reporting Entity

The Glasgow Board of Education, ("Board"), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Glasgow Independent School District ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Glasgow Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Glasgow Independent School District Finance Corporation - On May 12, 1992, the Glasgow Board of Education resolved to authorize the establishment of the Glasgow Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation:

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This focus is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2009

1. Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Continued:

or program of the District's governmental activities. Direct expenses are those that are specifically associated with service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types:

- a. The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- b. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 41. This is a major fund of the District.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2009

1. Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Continued:

I. Governmental Fund Types, Continued:

- c. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- d. The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Funds (Enterprise Fund):

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund. The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with other contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds):

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2009

1. Summary of Significant Accounting Policies, Continued:

Basis of Accounting:

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing reports, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recognized as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in government funds.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2009

1. Summary of Significant Accounting Policies, Continued:

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 60 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited onto the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2009, to finance the General Fund operations were \$.702 per \$100 valuation for real property, \$.702 per \$100 valuation for business personal property and \$.554 per \$100 valuation for motor vehicles.

Capital Assets

General capital assets are those specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of the net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the assets or materially extend an assets life are not.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food services equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2009

1. Summary of Significant Accounting Policies, Continued:

Interfund Balances

On fund financial statements, receivable and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2009

1. Summary of Significant Accounting Policies, Continued:

Inventories

On government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2009 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Investments

The private purpose trust funds record investments at their quoted market price. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Assets.

The permanent funds record investments at their quoted market value prices for purposes of the Statement of Net Assets. All realized gains and losses and changes in fair market value are recorded in the Statement of Activities. Long-term investments are not recorded on the fund financial statements nor are unrealized gains and losses.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expandable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2009

1. Summary of Significant Accounting Policies, Continued:

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for fixed assets.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

On-Behalf Payments

During the year ended June 30, 2009, the Kentucky Division of Finance made payments on behalf of Glasgow Independent School District in amount of \$2,708,739. These payments were paid for fringe benefits for the District personnel. These payments have been included in both revenue and expenditures on the District's financial statements for the year ended June 30, 2009.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2009

2. Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

3. Cash and Cash Equivalents:

At year-end, the carrying amount of the District's cash and cash equivalents was \$5,190,660. Of the total cash balance, \$821,767 was covered by Federal Depository insurance, with the remainder covered by a collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in certificates of deposits with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2009 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
South Central Bank	\$ 532,066	\$ 527,197
BB&T	12,923	12,923
US Bank	5,334,284	4,623,762
Citizens First Bank	<u>26,778</u>	<u>26,778</u>
	<u>\$ 5,906,051</u>	<u>\$ 5,190,660</u>

Breakdown per financial statements:

Governmental funds	\$ 4,636,685
Proprietary funds	192,095
Agency funds	<u>361,880</u>
	<u>\$ 5,190,660</u>

All deposits are in financial institutions and brokerage accounts. The District's bank deposits are categorized below to give an indication of the custodial credit risk assumed by the District at June 30, 2009.

Category 1 – Insured by FDIC or collateralized with securities held by the District or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2009

3. Cash and Cash Equivalents:

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name; or collateralized with no writer or approved collateral agent.

	<u>Category</u>			<u>Total Bank</u>	<u>Carrying</u>
	<u>One</u>	<u>Two</u>	<u>Three</u>	<u>Balance</u>	<u>Amount</u>
Deposits with Financial institutions	<u>\$ 821,767</u>	<u>\$ 5,084,284</u>	<u>\$ -</u>	<u>\$5,906,051</u>	<u>\$ 5,190,660</u>

Interest Rate Risk

The District invests in certificates of deposits with numerous financial institutions with maturities typically less than one year. No certificates of deposits are obtained from any financial institution in excess of FDIC limits.

Currently, there are no Certificates of Deposits held by the District.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2009

4. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
<u>Governmental Activities</u>				
Capital Assets, not being Depreciated:				
Land	\$ 65,181	\$ -0-	\$ -0-	\$ 65,181
Total Capital, not being Depreciated	<u>65,181</u>	<u>-</u>	<u>-</u>	<u>65,181</u>
Capital Assets, being Depreciated:				
Land Improvements	664,300	-	-	664,300
Buildings and Improvements	20,976,564	94,018	-	21,070,582
Technology Equipment	1,298,451	79,358	-	1,377,809
General Equipment	658,173	23,050	-	681,223
Vehicles	977,723	156,490	(149,885)	984,328
Total Capital Assets, being Depreciated	<u>24,575,211</u>	<u>352,916</u>	<u>(149,885)</u>	<u>24,778,242</u>
Less: Accumulated Depreciation				
Land Improvements	(627,220)	(24,720)	-	(651,940)
Buildings and Improvements	(5,742,438)	(419,716)	-	(6,162,154)
Vehicles	(503,608)	(69,678)	149,885	(423,401)
Technology Equipment	(699,867)	(209,227)	-	(909,094)
General Equipment	(537,734)	(46,933)	-	(584,667)
Total Accumulated Depreciation	<u>(8,110,867)</u>	<u>(770,274)</u>	<u>149,885</u>	<u>(8,731,256)</u>
Governmental Activities Capital Assets - Net	<u>\$ 16,529,525</u>	<u>\$ (417,358)</u>	<u>\$ -</u>	<u>\$ 16,112,167</u>
<u>Business-Type Activities</u>				
Capital Assets, being Depreciated:				
Food service and Equipment	\$ 543,390	\$ 31,625	\$ (1,600)	\$ 573,415
Technology Equipment	5,173	-	-	5,173
Total Capital Assets, being Depreciated	<u>548,563</u>	<u>31,625</u>	<u>(1,600)</u>	<u>578,588</u>
Less: Accumulated Depreciation				
Food Service and Equipment	(343,181)	(24,480)	1,600	(366,061)
Technology Equipment	(2,159)	(1,035)	-	(3,194)
Total Accumulated Depreciation	<u>(345,340)</u>	<u>(25,515)</u>	<u>1,600</u>	<u>(369,255)</u>
Business-Type Activities Capital Assets - Net	<u>\$ 203,223</u>	<u>\$ 6,110</u>	<u>\$ -0-</u>	<u>\$ 209,333</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

5. Bonded Debt and Lease Obligations:

The original amount of each issue, the issue date, and interest rates are summarized below:

Issue Date	Proceeds	Rates
1998 (refunding of 1992)	\$ 3,250,000	3.70% - 4.125%
2001	\$ 265,000	4.15% - 4.90%
2004	\$ 8,705,000	4.00% - 4.75%

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2009

5. Bonded Debt and Lease Obligations, Continued:

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bond issued by the City of Glasgow to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In connection with the school revenue bonds issued after May 1, 1996 the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2009 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Participation</u>	<u>District's Portion</u>
2009-10	\$ 890,000	\$ 350,218	\$ 525,978	\$ 714,240
2010-11	935,000	314,517	525,978	723,539
2011-12	965,000	276,800	525,980	715,820
2012-13	940,000	237,575	460,894	716,681
2013-14	940,000	199,750	460,895	678,855
2014-15	315,000	161,925	460,894	16,031
2015-16	320,000	149,325	460,895	8,430
2016-17	330,000	135,725	460,894	4,831
2017-18	345,000	121,700	460,895	5,805
2018-19	360,000	107,038	460,894	6,144
2019-20	375,000	91,737	460,894	5,843
2020-21	390,000	75,800	460,894	4,906
2021-22	405,000	58,250	460,895	2,355
2022-23	425,000	40,025	460,894	4,131
2023-24	440,000	20,900	460,895	5
	<u>\$ 8,375,000</u>	<u>\$ 2,341,285</u>	<u>\$ 7,108,669</u>	<u>\$ 3,607,616</u>

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2009

5. Bonded Debt and Lease Obligations, Concluded:

Long-term debt activities for the year ended June 30, 2009, are as follows:

	Balance June 30, 2008	Additions	Debt Payments and Reductions	Balance June 30, 2009	Amount Due within one year
Series 1998	\$ 1,510,000	\$ -	\$ 355,000	\$ 1,155,000	\$ 370,000
Series 2001	140,000	-	20,000	120,000	20,000
Series 2004	7,585,000	-	485,000	7,100,000	500,000
	<u>\$ 9,235,000</u>	<u>\$ -0-</u>	<u>\$ 860,000</u>	<u>\$ 8,375,000</u>	<u>\$ 890,000</u>

In January, 1996, the Board approved the issuance of refunding revenue bonds in the amount of \$1,755,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 1986. These bonds, accumulated interest costs and call premiums related to the 1986 issue, were paid on December 1, 1996, from the Bond Escrow Account. The estimated savings to the District as a result of the refunding is approximately \$146,000.

In October, 1998, the Board approved the issuance of refunding revenue bonds in the amount of \$3,250,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 1992. These bonds and accumulated interest costs related to the 1992 issue, were paid on November 19, 1998, from the Bond Escrow Account. The estimated savings to the District as a result of the refunding is approximately \$200,000.

In May, 2001, the Board approved the issuance of the Energy Conservation Revenue Bonds, Series of 2001 in the amount of \$265,000. These bonds have a final maturity on April 1, 2014.

In March, 2004, the Board approved the issuance of revenue bonds in the amount of \$8,705,000. These funds were used for the construction of Highland Elementary School. As of June 30, 2006, the construction was complete and the building was placed in service. These bonds have a final maturity on June 1, 2024.

6. Capital Lease Payable:

The following is an analysis of the leased property under capital lease by class:

<u>Classes of Property</u>	<u>Book value as of June 30, 2009</u>
Buses	\$404,185

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2009

6. Capital Lease Payable, Continued:

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2009:

<u>Year Ending June 30</u>	<u>Capital Lease Payable</u>
2010	\$ 68,168
2011	63,295
2012	63,422
2013	61,277
2014	60,942
Thereafter	<u>162,326</u>
Total minimum lease payments	479,430
Less: Amount representing interest	<u>(66,662)</u>
 Present Value of Net Minimum Lease Payments	 <u>\$ 412,768</u>

7. Commitments Under Noncapitalized Leases:

Commitments under operating lease agreements for office equipment provide for minimum future rental payments as of June 30, 2009, as follows:

Year ending June 30:

2010	\$ 26,976
2011	17,696
2012	<u>105</u>
Total Minimum Rentals	<u>\$ 44,777</u>

Rent expense for the year ended June 30, 2009 was \$32,164.

8. Retirement Plans:

The Glasgow Independent School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.

Contribution rates are established by KRS. Members are required to contribute 9.855% of their salaries to KTRS. Effective July 1, 2008 new members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries. The federal program for any salaries paid by that program pays the matching contributions. KRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2009

8. Retirement Plans, Continued:

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, and public employer's retirement system. Funding for the Plan is provided through payroll withholdings of 5.00% and a District contribution of 13.5% of the employee's total compensation subject to contribution. Effective September 1, 2008 new members are required to contribute 6% of their salaries.

The District's total payroll for the year was \$11,703,646. The payroll for employees covered under KTRS was \$9,804,104 and for CERS was \$1,999,356. For the year ended June 30, 2009, the Commonwealth contributed \$877,368 to KTRS for the benefit of our participating employees. The School District's contributions to KTRS for the year ending June 30, 2009 were \$118,975, which represents those employees covered by federal programs.

The contribution requirement for CERS for the year ended June 30, 2009, was \$370,154 which consisted of \$269,914 from the District and \$100,240 from the employees.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the Plans' status as a whole, derived from actuarial valuations performed as of the dates indicated:

	CERS as of June 30, 2008	CERS as of June 30, 2007	CERS as of June 30, 2006
	(In Thousands)		
Assets available for benefits, at fair value	\$ 7,482,369	\$ 7,107,113	\$ 6,677,969
Pension benefit obligation	<u>9,707,339</u>	<u>8,868,182</u>	<u>8,199,712</u>
(Under funded)/over funded pension benefit obligations	<u>\$(2,224,970)</u>	<u>\$ (1,761,069)</u>	<u>\$ (1,521,743)</u>

The following table presents the last three years of the total of all employer contributions to the Plan and the Company's contributions for the year ending June 30:

Total Plan Contributions – CERS			
	Annual Required	Actual	Percentage
<u>Fiscal Year Ended</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Contributed</u>
2008	\$ 544,853,127	\$ 353,038,626	64.80%
2007	\$ 398,108,975	\$ 281,493,082	70.70%
2006	\$ 356,066,426	\$ 219,701,869	61.70%

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2009

8. Retirement Plans, Concluded:

Company Contributions – CERS

<u>Fiscal Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
2009	\$ 370,154	\$ 370,154	100.00%
2008	\$ 421,485	\$ 421,485	100.00%
2007	\$ 339,024	\$ 339,024	100.00%

	KTRS as of June 30, 2008	KTRS as of June 30, 2007	KTRS as of June 30, 2006
	(In Thousands)		
Assets available for benefits, at fair value	\$ 15,321,325	\$ 15,284,955	\$ 14,857,641
Pension benefit obligation	<u>22,460,304</u>	<u>21,254,974</u>	<u>20,324,781</u>
(Under funded)/over funded pension benefit obligations	<u>\$ (7,138,979)</u>	<u>\$ (5,970,019)</u>	<u>\$ (5,467,140)</u>

Total Plan Contributions – KTRS

<u>Fiscal Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 2008	\$ 563,800,000	\$ 438,789,000	78.00%
June 30, 2007	\$ 494,600,000	\$ 420,410,000	85.00%
June 30, 2006	\$ 406,100,000	\$ 406,100,000	100.00%

Company Contributions – KTRS

<u>Fiscal Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 2009	\$ 996,343	\$ 996,343	100.00%
June 30, 2008	\$ 995,641	\$ 995,641	100.00%
June 30, 2007	\$ 908,539	\$ 908,539	100.00%

Ten-year historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2007 comprehensive annual financial reports.

As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the Plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2009

9. Arbitrage:

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the insurance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service(IRS) at least every five years. During the current year, the Company performed calculations of excess investment earnings on various bonds and financings and at June 30, 2009 does not expect to incur a liability.

10. Contingencies:

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor's may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

11. Insurance and Related Activities:

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Worker's Compensation Insurance.

12. Risk Management:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONCLUDED
June 30, 2009

12. Risk Management, Concluded:

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

13. Deficit Operating Balances:

There are no funds of the District that currently have a deficit fund balance. There are no funds that have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance.

14. COBRA:

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

15. Transfer of Funds:

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Debt Service	Debt Service	\$ 26,500
Matching	General	Special Revenue	Technology Match	29,422
Operating	Capital Outlay	Debt Service	Debt Service	181,932
Operating	Building	Debt Service	Debt Service	510,307
Operating	School Food	General	Indirect Cost	7,593

SUPPLEMENTARY INFORMATION

GLASGOW INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009

	SEEK CAPITAL OUTLAY FUND	CONSTRUCTION FUND	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Assets and resources:				
Cash and cash equivalents	\$ -0-	\$ -0-	\$ 12,923	\$ 12,923
Inventory	-	-	-	-
Accounts receivable:				
Taxes-current	-	-	-	-
Taxes-delinquent	-	-	-	-
Accounts receivable	-	-	-	-
Intergovernmental-State	-	-	-	-
Intergovernmental-Indirect Federal	-	-	-	-
Intergovernmental-Direct Federal	-	-	-	-
Prepaid expenses	-	-	-	-
Due from other funds	-	-	-	-
Interest receivable	-	-	-	-
Investments	-	-	-	-
Furniture and equipment, net	-	-	-	-
Total Assets and Resources	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 12,923</u>	<u>\$ 12,923</u>
Liabilities and fund balance:				
Liabilities:				
Accounts payable	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Checks issued in excess of cash	-	-	-	-
Accrued payroll and related expenses	-	-	-	-
Current portion of accumulated sick leave	-	-	-	-
Deferred revenues	-	-	-	-
Total Liabilities	-	-	-	-
Fund balances:				
Reserved for:				
Inventory and fixed assets	-	-	-	-
Encumbrances	-	-	-	-
Accrued sick leave	-	-	-	-
Unreserved:				
Undesignated, reported in:				
General fund	-	-	-	-
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Debt service funds	-	-	12,923	12,923
Permanent funds	-	-	-	-
Total fund balances	-	-	12,923	12,923
Total Liabilities and Fund Balances	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 12,923</u>	<u>\$ 12,923</u>

GLASGOW INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	Seek Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:				
From local sources:				
Taxes:				
Property	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Motor vehicles	-	-	-	-
Utilities	-	-	-	-
Other	-	-	-	-
Tuition and fees	-	-	-	-
Earnings on investments	-	-	75	75
Other local revenues	-	-	-	-
Intergovernmental-Intermediate	-	-	-	-
Intergovernmental-State	181,932	-	525,978	707,910
Intergovernmental-Indirect Federal	-	-	-	-
Intergovernmental-Direct Federal	-	-	-	-
Total revenues	<u>181,932</u>	<u>-</u>	<u>526,053</u>	<u>707,985</u>
Expenditures:				
Instruction	-	-	-	-
Support services:				
Student	-	-	-	-
Instructional staff	-	-	-	-
District administration	-	-	-	-
School administration	-	-	-	-
Business	-	-	-	-
Plant operations and maintenance	-	-	-	-
Student transportation	-	-	-	-
Central office	-	-	-	-
Facilities and construction	-	-	-	-
Community service activities	-	-	-	-
Other	-	-	1,244,763	1,244,763
Total expenditures	<u>-</u>	<u>-</u>	<u>1,244,763</u>	<u>1,244,763</u>
Excess (deficit) of revenues over expenditures	<u>181,932</u>	<u>-</u>	<u>(718,710)</u>	<u>(536,778)</u>
Other financing sources (uses):				
Proceeds from sale of bonds	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-
Realized gains and losses and changes in market value	-	-	-	-
Operating transfers in	-	-	718,739	718,739
Operating transfers out	(181,932)	-	-	(181,932)
Total other financing sources (uses)	<u>(181,932)</u>	<u>-</u>	<u>718,739</u>	<u>536,807</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>-</u>	<u>-</u>	<u>29</u>	<u>29</u>
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>12,894</u>	<u>12,894</u>
Fund balance, June 30, 2009	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 12,923</u>	<u>\$ 12,923</u>

GLASGOW HIGH SCHOOL ACTIVITY FUNDS
ALL FUNDS COMBINED BALANCES
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
For the Year Ended June 30, 2009

	Cash Balance July 1, 2008	(1) Receipts	(1) Disbursements	Cash Balance June 30, 2009	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2009
Academic Team	\$ 1,891	\$ 221	\$ -0-	\$ 2,112	\$ -0-	\$ -0-	\$ 2,112
Archery Club	9	26	-	35	-	-	35
Advantage Network	5,130	2,000	5,207	1,923	-	50	1,873
Arts / Humanities	350	215	446	119	-	-	119
Art Club	1,059	1,274	493	1,840	-	125	1,715
Art Department	293	724	515	502	-	-	502
Athletics - General	71,874	112,890	106,669	78,095	-	-	78,095
Ath. - Baseball	72	3,796	3,800	68	-	-	68
Ath. - Girls Soccer	182	5,145	5,154	173	-	-	173
Ath. - Softball	1,054	20,120	15,430	5,744	-	-	5,744
Ath. - Swimming	13	947	914	46	-	-	46
Ath. - Boys Tennis	487	800	651	636	-	-	636
Ath. - Girls Tennis	292	1,225	1,304	213	-	-	213
Ath. - Boys/Girls Track	1,722	3,712	5,167	267	-	-	267
Ath. - Officials	3,326	25,400	24,422	4,304	-	-	4,304
Ath. - Miscellaneous	37	1,000	1,022	15	-	-	15
Ath. - Boys Basketball	28	8,562	7,532	1,058	-	-	1,058
Ath. - Girls Reg. Golf	324	950	1,274	-	-	-	-
Ath. - Volleyball	262	2,000	2,119	143	-	-	143
Ath. - Girls Basketball	-	13,894	11,254	2,640	-	-	2,640
Ath. - Cheerleaders	53	2,000	1,838	215	-	-	215
Ath. - Cross Country	163	1,200	1,100	263	-	-	263
Ath. - Football	883	12,275	13,158	-	-	-	-
Ath. - Boys Golf	231	1,200	1,323	108	-	68	40
Ath. - Girls Golf	444	7,275	7,079	640	-	-	640
Ath. - Boys Soccer	168	2,745	2,692	221	-	-	221
Aviation Aviation	-	70	70	-	-	-	-
BC 9 Diamond Base/Sof	-	4,820	-	4,820	-	-	4,820
BC 1 Booster Club Lady Scotties	-	3	3	-	-	-	-
BC 2 Booster Club Girls Golf	-	308	306	-	-	-	-
BC 3 GHS Ath. Booster Club	-	7,635	6,968	667	-	-	667
BC 4 BC-Boys Basketball	-	2,533	2,533	-	-	-	-
BC 5 BC- Boys Golf	-	1,873	14	1,859	-	-	1,859
BC 6 BC Cheerleaders	-	5,955	5,738	217	-	-	217
BC 7 Booster Club Football	-	481	-	481	-	-	481
BC 8 Booster Club Volleyball	-	800	-	800	-	-	800
Beta Club	3,171	8,659	8,521	3,309	-	-	3,309
Choir	108	1,586	628	1,066	-	-	1,066
Class of 2006	565	-	565	-	-	-	-
Class of 2008	100	-	100	-	-	-	-
Computer Lab Fees	376	2,188	2,418	146	-	-	146
Cookie Account	508	-	508	-	-	-	-
D E Bookstore	271	2,018	1,660	629	-	-	629
Deca Club	1,895	18,213	17,891	2,217	-	-	2,217
Drama / Speech	140	-	-	140	-	-	140
Disney Trip	1,056	-	1,056	-	-	-	-
English Department	1,450	1,725	1,144	2,031	-	-	2,031
Faculty Retirement	302	-	10	292	-	-	292
Film Club	76	-	-	76	-	-	76
Faculty Flower Fund	543	1,618	1,314	847	-	-	847
Faculty Machines	964	1,811	1,945	830	71	-	901
FCA - Fellow Christian	24	231	-	255	-	-	255
FEA - Future Education	125	-	-	125	-	-	125
FHA (Fccla)	146	278	287	137	-	-	137
French Dept.	54	-	-	54	-	-	54
French Club	267	107	111	263	-	-	263
Freshmen Core	1,014	3,154	2,217	1,951	-	-	1,951
GHSPTSO PTO	-	286	72	214	-	-	214
Global Studies	39	-	39	-	-	-	-
Gym Rental	-	500	-	500	-	-	500
High School Misc.	1,690	14,599	13,607	2,682	-	-	2,682
Home Economics	937	426	1,072	291	-	-	291
Industrial Arts	369	824	255	938	-	-	938
Journaism	17,630	15,129	25,834	6,925	-	-	6,925
KY Youth Assembly	208	6,425	6,425	208	-	-	208
Lacross	43	2,113	2,156	-	-	-	-
Laminator	522	712	341	893	-	-	893
Landscape	201	-	-	201	-	-	201
Library	821	766	283	1,304	-	-	1,304
Magazines	10,049	12,857	12,057	10,849	-	-	10,849
Marketing	276	532	309	499	-	-	499
Math Lab Fees	1,626	1,091	227	2,490	-	-	2,490
Newspaper	33	-	-	33	-	-	33
Now Account	3,993	1,585	2,840	2,738	-	-	2,738
Parking Tags	2,802	1,651	929	3,524	-	-	3,524
Pep Club	256	230	480	6	-	-	6
Ping Pong	56	-	56	-	-	-	-
Relay For Life	-	588	588	-	-	-	-
School Pictures	1,121	946	893	1,174	-	-	1,174
SADD	-	1,340	120	1,220	-	-	1,220
Science Lab Fees	1,922	1,464	2,731	655	-	-	655
Seniors	1,305	8,113	7,875	1,543	-	-	1,543
Seniors 08	-	-	-	-	-	-	-
Social Studies	130	1,162	648	644	-	-	644
Spanish Club	1,340	138	-	1,478	-	-	1,478
Student Council	379	-	-	379	-	-	379
Student Incentives	1,785	860	863	1,782	-	-	1,782
Student Machines	5,655	8,117	7,046	6,726	193	-	6,919
Student Travel	1,418	1,338	1,445	1,311	-	-	1,311
Tee Shirt Account	17	595	460	152	-	-	152
Textbooks	15,818	16,090	11,723	20,185	-	-	20,185
TSA	-	182	130	52	-	-	52
Uniform Rotation	2,500	7,000	6,658	2,842	-	-	2,842
Workbooks	1,773	1,643	674	2,742	-	-	2,742
	<u>\$ 180,216</u>	<u>\$ 406,962</u>	<u>\$ 385,406</u>	<u>\$ 201,772</u>	<u>\$ 264</u>	<u>\$ 243</u>	<u>\$ 201,793</u>

(1) Included in receipts and disbursements are inter-fund transfers in the amount of \$87,427.

MIDDLE SCHOOL AND ELEMENTARY SCHOOLS ACTIVITY FUNDS
ALL FUNDS COMBINED BALANCES
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
For the Year Ended June 30, 2009

	<u>Cash Balance July 1, 2008</u>	<u>(1) Receipts</u>	<u>(1) Disbursements</u>	<u>Cash Balance June 30, 2009</u>	<u>Accounts Receivable</u>	<u>Accounts Payable</u>	<u>Fund Balance June 30, 2009</u>
Glasgow Middle School	\$ 101,797	\$ 113,438	\$ 128,172	\$ 87,063	\$ 1,805	\$ -	\$ 88,868
Highland Elementary	43,081	48,888	45,701	46,268	-	-	46,268
South Green Elementary	16,663	72,670	62,556	26,777	-	-	26,777
	<u>\$ 161,541</u>	<u>\$ 234,996</u>	<u>\$ 236,429</u>	<u>\$ 160,108</u>	<u>\$ 1,805</u>	<u>\$ -</u>	<u>\$ 161,913</u>

(1) Included in receipts and disbursements are Inter-fund transfers in the amount of \$1,766

GLASGOW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>			
Passed-through State Department of Education:			
School Nutrition Cluster			
National School Lunch Program	10.555	7750002 09	\$ 444,988
Summer Meal Program	10.559	7740023 08	44,890
National School Breakfast Program	10.553	7760005 09	184,964
Fruit and Vegetables Program	10.582	7720012 09	21,934
State Matching	10.555	7750002 08	11,956
Passed-through State Department of Agriculture:			
Food Distribution/Commodities	10.550	7750002 09	54,269
Total Department of Agriculture			<u>\$ 763,001</u>
<u>U.S. Department of Education:</u>			
Direct Programs:			
School Assistance in Federally Affected Areas-09	84.041	27-KY-2009-3101	\$ 3,542
Passed-through State Department of Education:			
Title I:			
2008 Project	84.010	3100002 07	60,831
2009 Project	84.010	3100002 08	605,464
Migrant - 2008	84.011	3110002 07	48,177
Migrant - 2009	84.011	3110002 08	83,627
Improving Teacher Quality	84.367	3230002 07	234
Improving Teacher Quality	84.367	3230002 08	145,465
Rural Education - 08	84.358	3140002 07	29,449
Rural Education- 09	84.358	3140002 08	51,638
Education Technology - 08	84.318	3210002 07	-
Bilingual Virtual HS -07	84.365	3300002 07	3,805
Safe and Drug Free Schools:			
2008 Project	84.186	3410002 07	1,346
2009 Project	84.186	3410002 08	10,094
Handicapped Preschool and School Programs:			
Special Education Cluster			
2008 Project - Special Education	84.027	3810002 07	145,447
2009 Project - Special Education	84.027	3810002 08	251,907
2008 Preschool	84.173	3800002 07	5,675
2009 Preschool	84.173	3800002 08	12,306
Perkins Title I-07	84.048	4620732 06	1,500
Perkins Title I-08	84.048	4620732 07	3,940
Perkins Title I-09	84.048	4620732 08	26,560
Homeless Education - 09	84.196	3990002 08	14,346
21st Century-08	84.287	3400002 08	19,689
Innovative Education Program-07	84.369	3900001 07	1,014
Total U.S. Department of Education			<u>\$ 1,526,056</u>
Total expenditures of federal awards			<u>\$ 2,289,057</u>

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2009

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Glasgow Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Food Distribution:

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

**GLASGOW INDEPENDENT SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued (unqualified):

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses?? _____ Yes X No

Noncompliance material to financial Statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs (unqualified):

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	National School Lunch
10.559	Summer Meal Program
10.553	National School Breakfast
10.550	Food Distribution /Commodities
10.582	Fruit and Vegetables Program

Dollar threshold used to distinguish Between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

II. FINANCIAL STATEMENTS FINDINGS

- a. No matters were reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- a. No matters were reported.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2009**

Prior Year Findings:

None

Recommendation:

None

Current Status:

None

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Board of Education
Glasgow Independent School District
Glasgow, Kentucky 42141

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Glasgow Independent School District as of and for the year ended June 30, 2009, which collectively comprise the Glasgow Independent School District's basic financial statements and have issued our report thereon dated November 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District audits in *Appendix I of the Independent Auditor's contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Electronic Submission*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Glasgow Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Glasgow Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Glasgow Independent School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Glasgow Independent School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Glasgow Independent School District's financial statements that is more than inconsequential will not be prevented or detected by Glasgow Independent School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Glasgow Independent School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Glasgow Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Glasgow Independent School District, in a separate letter dated November 9, 2009.

This report is intended solely for the information and use of the Kentucky State Committee for School District Audits, the members of the Board of Education of Glasgow Independent School District, the Kentucky Department of Education management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Campbell, Myers & Rattledge, PLLC

Certified Public Accountants

November 9, 2009

CAMPBELL, MYERS & RUTLEDGE, PLLC

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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Members of the Board of Education
Glasgow Independent School District
Glasgow, Kentucky 42141

Compliance

We have audited the compliance of Glasgow Independent School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Glasgow Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Glasgow Independent School District's management. Our responsibility is to express an opinion on Glasgow Independent School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky State Committee for School District audits in *Appendix I of the Independent Auditor's contract – General Audit Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract – Electronic Submission*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Glasgow Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Glasgow Independent School District's compliance with those requirements.

In our opinion, Glasgow Independent School District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Glasgow Independent School District, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Glasgow Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Glasgow Independent School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. In addition, the results of our test disclosed no instances of noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract – State Audit Requirements.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Glasgow Independent School District, the Kentucky Department of Education management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Campbell, Myers & Rathledge, PLLC
Certified Public Accountants

November 09, 2009

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Members of the Board of Education
Glasgow Independent School District
Glasgow, Kentucky 42141

In planning and performing our audit of the financial statements of the Glasgow Independent School District as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Glasgow Independent School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

This communication is intended solely for the information and use of management, and the Kentucky Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Campbell, Myers & Rutledge, PLLC
Certified Public Accountants

November 09, 2009

